



## President's Report First Nine Months of 2023

LT Group, Inc.'s (LTG) attributable net income for the first nine months of 2023 amounted to Php19.25 billion, 6% lower than the 2022's first nine months of Php20.41 billion.

The different business units contributed as follows:

	9M23 Contribution (Php Millions)	% of 9M23 Attributable Net Income	9M22 Contribution (Php Millions)	% of 9M22 Attributable Net Income
Tobacco	9,028	47%	11,996	59%
PNB	7,644	40%	6,458	32%
TDI	1,146	6%	855	4%
ABI	449	2%	428	2%
Eton	346	2%	334	2%
VMC	285	1%	186	1%
Others	349	2%	154	0%
Total	19,247	100%	20,411	100%

A special cash dividend was declared in August and paid on September 13 of Php0.30 per share or a total of Php3.25 billion. Together with the dividends declared in March and May, year-to-date dividends amounted to Php0.90 per share or a total of Php9.74 billion, representing a 38.7% pay-out rate.

As of the end of September 2023, LTG's Debt-to-Equity Ratio was at 3.42:1 with the Bank and at 0.13:1 without the Bank. The parent company had cash of Php1.50 billion.

### **Tobacco**

The tobacco business' net income for the first nine months of 2023 was Php9.06 billion, 25% lower than 9M22's Php12.04 billion. Most of the tobacco business' income is from equity in net earnings from the 49.6% stake in PMFTC. This amounted to Php8.76 billion for January to September 2023, a 27% or Php3.30 billion decrease compared to the same period in 2022 at Php12.05 billion.

The industry's volume was 20% lower year-on-year (y-o-y) in 9M23 at 32.2 billion sticks, largely due to the industry-wide price increase in 1Q23, increasing illicit incidence and trade inventory movements. For PMFTC, 9M23 volume was 18.0 billion sticks, 26% lower than 9M22's 24.5 billion sticks.

On February 27, 2023, PMFTC implemented a price increase, to pass on the Php5 per pack increase in excise taxes, effective January 1, 2023, to Php60 per pack. Marlboro is now at Php9 per stick from Php8. Fortune and Jackpot are at Php7 from Php6. Marlboro Crafted remains unchanged at Php7, same with Chesterfield which is still at Php6 per stick.

The Government continued its efforts against the illicit trade with 505 enforcements in the first nine months of 2023, compared to 235 in 9M22.

### **Philippine National Bank (PNB)**

For 9M23, PNB's net profit under the pooling method was Php13.52 billion, 18% higher than 9M22's Php11.49 billion. The 9M23 profit included a Php3.72 billion gain from the sale of repossessed assets, compared to Php5.47 billion in 9M22.

Loans and receivables were slightly lower at Php611 billion as of September 2023 compared to Php621 billion as of September 2022. However, Net Interest Margin improved to 4.0% from 3.3%, causing Net Interest Income to improve by 23% to Php33.04 billion from Php26.78 billion.

Net Service Fees and Commission Income were 21% higher at Php4.29 billion from Php3.55 billion.

The bank booked provisions for credit losses of Php5.15 billion in 9M23, substantially higher than the Php714 million of 9M22. As a result, operating expenses were 16% higher in 9M23 at Php26.55 billion from Php22.82 billion in 9M22. NPL cover was at 97.2% as of September 2023, compared to 82.3% as of September 2022 and 91.1% as of December 2022.

### **Tanduay Distillers, Inc. (TDI)**

TDI's net income for 9M23 amounted to Php1.15 billion, 34% higher than 9M22's Php860 million.

Both the volume of liquor and bioethanol were lower y-o-y, at 10% and 32%, respectively, the latter due to the closure of Asian Alcohol Corporation in October 2022. As TDI implemented an Php84 per case price increase in October 2022 and Php70 per case in January 2023, liquor revenues were 1% higher y-o-y to Php18.50 billion from Php18.26 billion despite the drop in volume. GPM improved to 13% for 9M23 from 11% in 9M22, as the price increases enabled TDI to pass on increased raw material and energy costs.

As of September 2023, TDI's nationwide market share for distilled spirits was at 33.6%, compared to 30.7% as of September 2022. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 71.8% and 83.2%, respectively, compared to 69.8% and 79.4% as of September 2022.

**Asia Brewery, Inc. (ABI)**

ABI's net income for the first nine months of 2023 was Php449 million, 5% higher than 9M22's Php428 million.

Revenues were 3% higher at Php12.79 billion from Php12.43 billion on the back of higher volume for bottled water and price increases in 1Q23 ranging from 5% to 10% across product lines. These price increases enabled the Company to slightly improve GPM to 23% from 22% and pass on higher manufacturing and energy costs.

Cobra energy drink maintained its leadership with a market share of 61.1% in 9M23, while bottled water brands Absolute and Summit have the third-largest share at 18.5%.

**Eton Properties Philippines, Inc. (Eton)**

Eton's net income for the first nine months of 2023 was Php347 million, 4% higher than the Php335 million for the same period in 2022. This was on the back of a 17% increase in leasing revenues to Php1.53 billion from Php1.30 billion. Net other Income likewise grew to Php287 million from Php113 million due to higher hotel income and common area maintenance fees and charges.

Eton currently has a leasing portfolio of around 288 thousand square meters, of which close to 192 thousand square meters is for office space.

Eton has resumed selling the remaining inventory of previously launched projects, in 68 Roces in Quezon City and in Eton City, Laguna.

**LT GROUP, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P214,306,286	P224,745,923
Financial assets at fair value through profit or loss (FVTPL)	16,574,897	7,379,126
Financial assets at fair value through other comprehensive income (FVTOCI)	103,551,774	86,852,606
Financial assets at amortized cost	28,327,505	31,511,748
Loans and receivables	265,500,776	205,494,119
Inventories	14,948,707	15,010,773
Due from related parties	3,038,775	3,556,476
Other current assets	12,668,428	13,497,126
<b>Total Current Assets</b>	<b>658,917,148</b>	<b>588,047,897</b>
<b>Noncurrent Assets</b>		
Loans and receivables-net of current portion	368,130,841	409,434,007
Financial assets at FVTOCI	29,873,430	50,761,530
Financial assets at amortized cost	103,181,637	78,956,212
Investment in associates and joint ventures	19,315,469	21,589,874
Property, plant and equipment:		
At appraised values	58,094,304	58,504,993
At cost	11,982,247	12,268,828
Investment properties	37,590,722	37,045,004
Deferred income tax assets	7,302,846	6,524,012
Other noncurrent assets	5,135,095	4,985,212
<b>Total Noncurrent Assets</b>	<b>640,606,591</b>	<b>680,069,672</b>
<b>TOTAL ASSETS</b>	<b>P1,299,523,739</b>	<b>P1,268,117,569</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Deposit liabilities	P872,198,021	P831,605,372
Financial liabilities at FVTPL	646,657	1,039,776
Bills and acceptances payable	13,342,673	8,798,056
Accounts payable and accrued expenses	23,936,658	21,854,536
Short-term debts	4,490,000	4,490,000
Current portion of long-term debts	44,132,573	20,399,948
Income tax payable	1,486,379	1,839,835
Due to related parties	50,000	50,000
Other current liabilities	10,293,409	10,375,775
<b>Total Current Liabilities (Carried Forward)</b>	<b>970,576,370</b>	<b>900,453,298</b>

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Total Current Liabilities (Brought Forward)</b>	<b>P970,576,370</b>	<b>P900,453,298</b>
<b>Noncurrent Liabilities</b>		
Deposit liabilities - net of current portion	11,693,993	20,796,801
Bills and acceptances payable	1,137,124	6,182,317
Long-term debts - net of current portion	6,483,935	46,312,355
Net retirement benefits liabilities	838,601	796,500
Deferred income tax liabilities	8,357,964	8,450,442
Other noncurrent liabilities	6,118,969	8,464,180
<b>Total Noncurrent Liabilities</b>	<b>34,630,586</b>	<b>91,002,595</b>
<b>Total Liabilities</b>	<b>1,005,206,956</b>	<b>991,455,893</b>
<b>Equity</b>		
Attributable to equity holders of the Company:		
Capital stock	10,821,389	10,821,389
Capital in excess of par	35,906,231	35,906,231
Other comprehensive income, net of deferred income tax effect	12,237,047	11,935,325
Other equity reserves	(5,440,878)	(5,529,303)
Retained earnings	155,769,495	145,723,736
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	<b>209,280,765</b>	<b>198,844,859</b>
Non-controlling interests	85,036,018	77,816,817
<b>Total Equity</b>	<b>294,316,783</b>	<b>276,661,676</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P1,299,523,739</b>	<b>P1,268,117,569</b>